

FIELD WORK AUDIT PROGRAM AND RESULTS FILE
Job Code 0501

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APPROVED:

DATE:

**Objective D To Perform A Compliance Review And Ascertain The Adequacy Of
Citywide Internal Controls For Grant Management.**

**Sub-objective D-1 To Identify Best Practices for Grant Management and
Document Citywide Internal Controls**

D-1.1 Research and identify best practices in grant management (application, selection, oversight), policies and procedures.

Completed – Filed at D-1.1

D-1.2 Survey and identify grant management best practices from other jurisdictions.

Completed – Filed at D-1.2

D-1.3 Create a data collection instrument to test compliance with grant monitoring controls and best practices

Completed – Filed at D-1.3

D-1.4 Document internal controls for grant management for the following departments:

- ESD
- Library
- Office of Economic Development
- OCA
- Housing; and
- PRNS

Completed – Filed at D-1.4

D-1.5 Summarize sub-objective results:

- Key limitations of current process;
- Overall assessment and/or conclusion;
- Audit issues and/or findings;
- If information comes to auditor's attention indicating that abuse or illegal acts may have occurred, the Auditor-in Charge will immediately notify the City Auditor and the Supervising Auditor. Audit steps will be extended as necessary and the auditor should determine the extent to which these acts significantly affect the audit results. (*Audit standards FWS 3A and 3B*).

We found that six City Departments rely on grant agreements to monitor grants and have no formal documented policies and procedures. We also found that both Housing and PRNS have documented procedures regarding grant oversight. We identified two authoritative sources for best practices in grant management, the United States Comptroller General's Domestic Working Group Grant Accountability Project and the Council on Foundations. We have identified promising practices to improve grant accountability in Exhibit 5, page 26 of the final report. In addition, we have identified a List of Specific Promising Practices in Appendix E and a Best Practices Checklist in Appendix F of the final report.

Sub-objective D-2 To determine whether Departments are implementing internal controls to mitigate the following:

- **T-1: Recipients Misuse funds,**
- **T-2: Recipients Achieve stated objectives,**
- **T-3: Recipients Fail to comply with grant agreement provisions and/or City requirements,**
- **T-4: Recipients Misrepresent performance measures and/or program,**
- **T-5: Agreements do not identify grant objectives and reporting requirements, and**
- **T-6: reports are not reviewed, and site visits and/or audits are not performed of grantees.**

D-2.1 Establish scope and methodology for testing compliance with internal controls.

- Identify City grants for file review.
- Determine sample criteria
- Select sample

Completed – Filed at D-2.1

D-2.2 Compare and document grant files to data collection instrument and review sample for compliance with the following controls:

- Departments do not release funds to the grantee unless the grant performance is met [C-1]
- Monies are released only after service has been provided [C-2]
- Staff reviews all expenditure reports the grantee submits [C-6]
- Staff does occasional site visits to verify grant monies are being appropriately spent [C-7]
- There is a tiered distribution of the money to ensure that if money is being inappropriately spent then they can stop the grant. [C-8]
- Site visits have been performed on a regular basis and electronically filed for supervisor review. [C-17, C-18]
- Grantees provide matching grants [C-11]
- PRNS Monitoring Progress Report and Corrective Action Plan [C-12, C-13]
- PRNS withholds 5% of grant award to confirm full compliance with grant agreement [C-15]
- OCA grantees receiving over \$500,000 are required to submit audited financial statements. [C-10]
- Department of Housing procedures manual [C-16]
- Department of Housing invoices are provided, reviewed, documented, and staff uses the fiscal input in the database and matches it to the actual documentation [C-19, C-20]
- Grant objectives are reviewed with the grantee. [C-9]
- Grant agreements clearly state grant objectives and reporting requirements and verify that grantees comply with the agreements. [C-4, C-5]
- Grant agreements require grantees to report expenditures including a line by line accounting for each expense and staff reviews these reports [C-5, C-6]
- Through the PRNS Monitoring Report. PRNS tracks the grantees progress, whether they have met the grant objectives, problems encountered and the agreed upon changes to meet objectives. [C-12]
- Department of Housing database documents performance for the quarter, and proposed activities. [C-21]
- Staff person verifies performance measures provided by the grantees and traces it back to the documentation provided by the grantee [C-3]
- Staff reviews performance results for accuracy [C-14]
- Interview concerned Attorneys from the City Attorney's Office to review their involvement with the grant process.

Completed – Filed at D-2.2

D-2.3 Summarize sub-objective results:

- Key limitations of current process;

- Overall assessment and/or conclusion;
- Audit issues and/or findings;
- If information comes to auditor's attention indicating that abuse or illegal acts may have occurred, the Auditor-in Charge will immediately notify the City Auditor and the Supervising Auditor. Audit steps will be extended as necessary and the auditor should determine the extent to which these acts significantly affect the audit results. (*Audit standards FWS 3A and 3B*).

We found that on a Citywide basis grant administration was decentralized with limited coordination and no Citywide policies and procedures for grant oversight. Each City Department, Office and the Redevelopment Agency is responsible for monitoring the grants it issues, developing its own monitoring procedures, and evaluating grantee performance. As a result of our review of 20 judgmentally-selected grants, we found that: 1) grant agreements contain inconsistent financial reporting requirements; 2) grant agreements contain inconsistent performance reporting requirements; 3) City staff did not always ensure grantees submitted documentation as required, such as monitoring or progress reports, audited financial statements, or proposed service plans; 4) City staff did not always review performance measures or goals, grantee reports, or conduct site visits; 5) when City staff found flaws with grantee performance, it did not always follow-up with grantees; and 6) grant agreements contain performance provisions which were not well defined.